

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00

PA-02 USIA-15 PRS-01 SP-02 /054 W

-----141148Z 117897 /44

R 140101Z MAY 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2830

INFO AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY MADRID

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

UNCLAS PARIS 14308

E.O. 11652 N/A

TAGS: EAIR, FR

SUBJ: CIVAIR: EASTERN AIRLINES AND AIRBUS

REF: PARIS 13083

1. FRANK BORMAN, PRESIDENT OF EASTERN AIRLINES, WAS IN PARIS TO TALK ABOUT AIRBUS THIS WEEK. ON MAY 10 HE MET WITH THE PRESS AND ON MAY 11 WAS RECEIVED BY MINISTER OF EQUIPMENT (AND TRANSPORTATION) FOURCADE ALONG WITH STATE SECRETARY OF TRANSPORTATION CAVAILLE.

2. AT HIS MAY 10 PRESS CONFERENCE BORMAN IS REPORTED AS DESCRIBING AIRBUS AS THE MOST ADVANCED SUBSONIC AIRCRAFT IN THE WORLD TODAY. US INDUSTRY, HE SAID, DID NOT BUILD AN AIRCRAFT THAT SATISFIED THE SAME MARKET SEGMENT AS DID AIRBUS. BOEING'S 737 AND 727 WERE MUCH SMALLER. BORMAN SAID THAT WITH A FIVE PERCENT ANNUAL GROWTH

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RATE IN PASSENGER-MILES, WHICH HE QUALIFIED AS A CONSERVATIVE ESTIMATE, EASTERN WOULD NEED FIFTY OR MORE "AIRBUS TYPE" AIRCRAFT OVER THE NEXT TEN YEARS. (THE PRESS HAS TAKEN THIS TO MEAN EASTERN MIGHT BUY "FIFTY OR MORE AIRBUSES.") BORMAN DENIED SUGGESTIONS THAT EASTERN WAS INTERESTED IN LEASING FOUR AIRBUSES (REFTEL) ONLY

TO GET THROUGH THE BUSY WINTER SEASON ON ITS FLORIDA ROUTE OR UNTIL BOEING CAME OUT WITH PLANS FOR A NEW AIRCRAFT. HE SAID THAT IF IT WAS JUST A QUESTION OF TEMPORARY ADDITIONAL CAPACITY EASTERN WOULD HAVE DONE BETTER BY LEASING 727'S OR LOCKHEED 1011'S. INSTEAD, HE SAID, EASTERN WAS SINCERELY INTERESTED IN PERHAPS ACQUIRING AIRBUSES TO COMPRISE A MAJOR PORTION OF ITS FLEET.

3. IN AN ARTICLE ENTITLED "FOR A HANDFUL OF DOLLARS" APPEARING IN ITS MAY 12 ISSUE, LE MONDE REPORTS THAT AT HIS PRESS CONFERENCE BORMAN REVEALED THAT EASTERN WAS COMMITTED TO PAY AIRBUS INDUSTRIE BETWEEN FIVE AND TEN MILLION DOLLARS FOR THE LEASING OF THE FOUR AIRBUSES FOR THE SIX-MONTH PERIOD. LE MONDE ADDS (THOUGH NOT STATED EXPLICITLY IT IS PRESUMED THAT BORMAN IS STILL THE SOURCE) THAT THE ABOVE SUM WILL COVER EXPENSES FOR CREW TRAINING, SPARE PARTS INVENTORY, AND COST ACCOUNTING. AIRBUS INDUSTRIE FOR ITS PART WILL ABSORB THE COST OF LOGISTICAL SUPPORT, INCLUDING THE LOAN TO EASTERN OF TECHNICAL ADVISERS AND INSTRUCTORS. SINCE AIRBUS TODAY SELLS FOR ABOUT \$25 MILLION PER AIRCRAFT (NOT INCLUDING SPARE PARTS), NOTES LE MONDE, EASTERN WOULD APPEAR TO HAVE GOTTEN A BARGAIN IN LEASING THE FOUR AIRBUSSES ON THE ABOVE TERMS. AIRBUS INDUSTRIE, HOWEVER, IS SAID TO DEFEND THE ARRANGEMENT BY POINTING

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TO THE COMMERCIAL PROMOTION OF AIRBUS IN THE US THAT THE EASTERN LEASING WILL PROVIDE AS WELL AS THE POSSIBILITY THAT IT COULD RESULT IN FIRM SALE OF AIRBUSES TO EASTERN.

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Disposition Case Number: n/a
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